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UNCLAS SECTION 01 OF 02 BEIJING 003155

SENSITIVE
SIPDIS

FROM AMBASSADOR RANDT TO E-U/S JEFFERY
STATE FOR EEB/EPPD/NSMITH-NISSELY
STATE FOR EAP/CM/JHABJAN/PARKP

E.O. 12958: N/A

TAGS: BEXP EINV TBIO SENV ELAB ETRD CH
SUBJECT: AWARD FOR CORPORATE EXCELLENCE (ACE) DUE DILIGENCE
- CARGILL

REF: STATE 84836

¶11. (SBU) Summary: I have reviewed Cargill's performance as requested in reftel regarding nominees for the 2008 Secretary's Award for Corporate Excellence (ACE). I can reaffirm that the company's performance in China has been exemplary. End summary.

¶12. (U) Specific answers to the questions posed in reftel below:

A) Could there possibly be any downside or embarrassment caused by the selection of your post's nominee?

Post is not aware of any potential downside or embarrassment. Cargill is widely recognized in China as a leader in the field of corporate and social responsibility. In fact, several local organizations recognized Cargill's contributions in 2007 and 2008, including the China Children and Teenager's Fund award to Cargill for its commitment to building schools and educating youth in rural areas. In addition, Cargill's "Animal Nutrition and Farmer Training Program" (CAN) has trained over 2 million farmers in China in modern farming and animal nutrition techniques and continues to train 200,000 farmers annually at 15 CAN farmer-training centers across China.

B) Do you have any information concerning job creation in the United States resulting from the operations of the company you nominated?

Cargill's operations in China have a positive impact on job creation in the United States. Cargill is the world's largest grain exporter, and China is Cargill's largest market for soybean trade, exporting over 1.5 million tons of soybeans per year. The firm's sales in China of soybeans, cotton, fertilizer and agricultural commodities create jobs in the United States and contribute to employment in the agricultural and food processing sectors in the United States including tens of thousands of United States Cargill employees.

C) What is your assessment of the company's trade and investment activities with regard to helping stimulate economic growth in the U.S. and increasing American exports (what is the U.S. content of its products)?

Cargill's trade and investment activities in China stimulate economic growth in the United States and increase American exports. Cargill is expanding rapidly in China. In 2007, the company reported total revenue of USD 88.3 billion. Cargill's current annual trade with China exceeds

USD 5 billion. Cargill China's focus is the importation and sale into the Chinese market of United States grain, agricultural commodities, livestock feed and ingredients for processed foods and pharmaceuticals. This process substantially boosts American exports of agricultural commodities and stimulates economic growth for farmers and food processors in the United States. The steady increase in Cargill's sales revenues in China has contributed to the overall increase in the volume of American exports to China. Cargill's exports to China also provide food security for millions of Chinese people and support the Chinese Government's efforts to raise the incomes and living standards of its rural population.

D) What is the state of labor conditions in the company's facilities and are workers unionized?

Post is not aware of any labor problems at Cargill's facilities. Cargill has demonstrated its commitment to providing a respectful, safe and supportive workplace. Many employees spend their entire careers with the company. Cargill China told Embassy officials that it is not aware of any unions that represent its approximately 320 mostly white collar workers at its headquarters in Shanghai and Beijing. However, many of its plant operators, rural sales agents, and factory plant workers are unionized. Cargill employs local people from the rural communities in which it operates, and says it does not make hiring decisions based on union affiliation.

E) Are you aware of any litigation pending in local courts involving the company?

BEIJING 00003155 002 OF 002

Cargill China's legal department told Embassy officials August 15 that there are four cases pending in local courts against Cargill China involving Cargill China as a defendant.

-- One case involves an individual employed by a Cargill service provider, Cargill Feed in Zhengjiang, Hunan Province, requesting severance and overtime payments from Cargill. Cargill China received favorable decisions from the labor arbitrator and the district court. The plaintiff has now appealed the decision to the intermediate court.

-- A second case involves a former employee of Cargill Grain and Oilseeds in Yangjiang, Guangdong Province who claimed he was entitled to overtime payments. Cargill received a favorable decision from the labor arbitrator and the plaintiff has appealed the decision to the district court.

-- A third case involves the investment company Crosstown China Investments 2, LLC in Xiamen. This company sued Cargill over actions that Cargill says it took to protect its investment after the plaintiff sold an asset owned by Cargill to a related party of the plaintiff for an unreasonably low value. Cargill believes that its actions were legal and consistent with business practices in China.

-- The last case involves Crosstown China Investments 5, LLC in Changsha, Hunan Province. Cargill alleges that the plaintiff introduced improper evidence regarding a debt repayment case and Cargill has appealed this decision to the Hunan High Court.

F) Please confirm that the Chief of Mission and others involved in the nominating process do not hold share of stock or have other financial interests in the company.

Cargill is a privately-held company. Neither I nor any other member of the Embassy involved in the nominating process holds stock or has any financial interest in Cargill.

RANDT